

## **Fact Sheet on ACA and Medicaid Expansion**

*The Affordable Care Act (ACA) was passed to provide Americans, including Kentuckians, better access to health care coverage. A major component of increasing access to coverage is new federal funding for states to expand their Medicaid eligibility to 138 percent of the Federal Poverty Level (FPL). The U.S. Supreme Court made Medicaid expansion optional for states. Expansion is the right choice for Kentucky. Not expanding the program would hurt both Kentucky's health and taxpayers' bottom line.*

### **Expansion Is the Right Decision for Kentuckians' Health**

- **Kentucky Ranks at the Bottom in Health Outcomes.** Kentucky continues to rank at the bottom in most national health rankings. This includes 50<sup>th</sup> in smoking, 40<sup>th</sup> in obesity, 43<sup>rd</sup> in sedentary lifestyles, 41<sup>st</sup> in diabetes, 48<sup>th</sup> in poor mental health days, 49<sup>th</sup> in poor physical health days, 50<sup>th</sup> in cancer deaths, 49<sup>th</sup> in cardiac heart disease, 43<sup>rd</sup> in high cholesterol, 44<sup>th</sup> in annual dental visits and 48<sup>th</sup> in heart attacks. Access to health insurance will improve health outcomes.
- **640,000 Uninsured Kentuckians: 308,000 Can Gain Health Insurance Through Expansion, 332,000 Can Gain Coverage Through the Health Benefit Exchange.**
  - An estimated 640,000 Kentuckians are uninsured, or 17.5% of the state's population under 65.
  - Almost half of the uninsured, an estimated 308,000 Kentuckians, have an income level below 138% of FPL and will qualify for Medicaid under this expansion. That is more than the population of Lexington and Fayette County.
  - The remaining 332,000 uninsured individuals will have access to coverage through the Health Benefit Exchange. 276,000 are between 138 and 400% FPL, and will qualify through HBE with a federal subsidy. 55,000 of those are above 400% FPL, and can gain coverage through HBE without a federal subsidy.
  - The ACA does not allow for subsidies through HBE for those under 100% FPL. Therefore, if the state does not expand Medicaid, the 206,000 uninsured Kentuckians who fall under that threshold would NOT be able to get Medicaid or a subsidy through HBE.

### **Expansion Has Huge Positive Economic and Budgetary Impacts**

- **Expansion Will Have a \$15.6 Billion Statewide Economic Impact Between FY14 and FY21, Creating Almost 17,000 New Jobs.** According to an independent analysis conducted by the University of Louisville, expanding Medicaid will lead to a cumulative economic impact of \$15.6 billion between FY14 and FY21. This impact will result from new health care spending that will occur, the nearly 17,000 jobs that will be created because of this expansion, and the local and state tax revenue that will be generated from those jobs. UofL projects these jobs will have an annual average salary of more than \$43,000.
- **Expansion Will Have an \$802.4 Million Positive Impact on Budget between FY14 and FY21.** Under Medicaid expansion, Kentucky will have an opportunity to move certain expenditures from the state to the federal government. These savings, plus the new revenue the state will see from the economic impact detailed above, means the state will see a positive cumulative budget impact of \$802.4 million, even with the increased costs the state will bear because of additional requirements the ACA puts on states. The primary ways Kentucky will benefit financially from expansion include:
  - Expansion will offset funding currently being provided by state or local general funds:
    - KCHIP\*, Community mental health centers, local health departments and county jails
  - Expansion decreases need for direct General Fund financing of programs:
    - Disproportionate Share Hospital Payments, Medically Needy Spending, Insurance for Foster Care Children, and Department of Corrections
  - Expansion will generate additional tax revenue:
    - State Income Tax, State Sales Tax and Local Taxes.
- **Federal Government Will Pay 100% First 3 Years, Decrease to 90% by 2020.** The federal government provides 100% of the expansion costs for three years starting in 2014. Funding will

gradually decrease to 90% in 2020. The average federal share between FY14 and FY21 is over 95% of the costs. In contrast, the normal federal match is about 70%.

- **Decision to Expand is Not Permanent.** The federal government has clarified that decisions states make about Medicaid expansion are not permanent and can be revisited in the future. Kentucky can decide to pull back the expansion at any time should funding or circumstances warrant such a move.

### **Significant Costs to State and Businesses of Not Expanding Medicaid or Purchasing Private Insurance**

- **Not Expanding Medicaid Will Cost State More.** Under the ACA, states will incur additional costs regardless of whether a state expands Medicaid eligibility. Without the additional increase in tax receipts and state revenue and the opportunities to move some current state spending to federal spending under Medicaid expansion, **upon full implementation of the ACA, it would cost the state more NOT to expand than to expand.** Upon full implementation in FY21, Kentucky would see a negative \$38.9 million impact to the state. The primary additional costs to the state, regardless of the decision on expansion are:
  - Woodwork effect – those currently eligible for Medicaid but not enrolled;
  - Substance abuse treatment newly required to be an essential health benefit for existing Medicaid members;
  - Reduction in federal Disproportionate Share Hospital (DSH) Payments for indigent care to state facilities; and
  - Additional required administrative costs associated with changes to existing Medicaid program.
- **Not Expanding Could Cost Kentucky Businesses Up to \$48 Million Every Year in Penalties.** For companies whose employees qualify for coverage through Medicaid and are between 100% and 138% of FPL, if Medicaid is expanded, the employer does not face a penalty. If Medicaid is NOT expanded, employers will be responsible for \$3,000 in penalties for every employee who must receive a premium subsidy. This penalty would cost Kentucky employers between \$32 million and \$48 million every year.
- **Without Expansion, Hospitals Will See \$287.5 Million Cut for Indigent Care from FY14-FY21 with No Medicaid Payment to Help Cover Cost.** Because the ACA assumed all low-income individuals would have access to coverage either through Medicaid expansion or a Health Benefit Exchange, the law reduced DSH payments to the states. For Kentucky, the reduction is an estimated \$287.5 million from FY14-FY21; this includes a \$47.9 million reduction to state mental hospitals and a \$239.6 million reduction to acute care, private psychiatric and university hospitals. These DSH payments are used by hospitals to help cover the cost of treating low income uninsured patients. If a state expands Medicaid, many of the previously uninsured will be Medicaid eligible and hospitals will receive reimbursement for their care. Without expansion and with the reductions in DSH payments, hospitals will be forced to absorb that financial burden.
- **Not Expanding Means Kentucky Taxpayers Subsidize the 20 States That Are Expanding.** Currently, 20 states have announced their decision to expand Medicaid. If Kentucky does not expand its Medicaid program, Kentucky taxpayer dollars' will still go to the federal government, which will use them to pay for Medicaid expansion in these 20 states.
- **Option to Purchase Private Insurance Would Cost Taxpayers More than Medicaid Expansion.** Several states are considering a plan to purchase private insurance for newly eligible enrollees instead of enrolling them in Medicaid. Analyses from both the Congressional Budget Office and Massachusetts show<sup>i</sup> that this plan would cost a dramatic 50-66% more than enrolling individuals in Medicaid. In Kentucky it is estimated this plan would have a negative budgetary impact of \$44 million in FY21, and continue to grow after that.

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<sup>i</sup> \*With or without expansion, ACA provides an increased federal match for the KCHIP program